

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>FRANKENMUTH SCHOOL DISTRICT</b>	County <b>SAGINAW</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>9/6/05</b>	Date Accountant Report Submitted to State: <b>10/19/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>GARDNER, PROVENZANO, SCHAUMAN &amp; THOMAS, P.C.</b>			
Street Address <b>1855 STATE STREET</b>	City <b>SAGINAW</b>	State <b>MI</b>	ZIP <b>48603</b>
Accountant Signature <i>Shepherd A Thomas</i>		Date <b>10/19/05</b>	

**FRANKENMUTH SCHOOL DISTRICT**  
**Frankenmuth, Michigan**

**Financial Statements**  
**June 30, 2005**

FRANKENMUTH SCHOOL DISTRICT  
FRANKENMUTH, MICHIGAN  
JUNE 30, 2005

BOARD OF EDUCATION

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# Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

## INDEPENDENT AUDITOR'S REPORT

September 6, 2005

To the Board of Education  
Frankenmuth School District  
Frankenmuth, Michigan

We have audited the accompanying financial statements of the governmental activities and funds of Frankenmuth School District, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Frankenmuth School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and funds of the Frankenmuth School District as of June 30, 2005, and the respective changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education  
Frankenmuth School District  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2005, on our consideration of Frankenmuth School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Dardner, Provengone, Schumann & Thomas, P.C.*

Certified Public Accountants

FRANKENMUTH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report presents management's discussion and analysis of Frankenmuth School District's performance during the fiscal year ending June 30, 2005. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the School District.

**Annual Report**

The annual report consists of our Management's Discussion and Analysis, a series of financial statements, notes to those statements, and supplemental information. The financial statements are divided into two sections. The District-Wide Financial Statements (Government-Wide Financial Statements) provide information about the activities of the School District as a whole. They present a year-end aggregate view and a longer-term view of the District's finances. All funds, capital assets and debt are combined. The Fund Financial Statements (Governmental Fund Statements) provide more detail showing the year's activity by fund. They also show the amount available to finance future programs. Fund Statements do not include long-term items such as capital assets or long-term debt.

**District-Wide Financial Statements**

The District-wide Financial Statements appear first in the financial statements. They present information on the School District as a whole. They show net assets and a statement of activities for the year. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net assets, the difference between assets and liabilities, are one way of measuring the financial health of the School District. In the statement of activities, the revenues less the expenses result in an increase or decrease in the net assets. Increases or decreases in net assets, over time, affect the financial health of the District. However, the goal of the School District is to provide quality education and a safe environment, not to make a profit.

The statement of activities covers all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

FRANKENMUTH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**Fund Financial Statements**

The Fund Financial Statements provide detailed information about the most significant funds instead of the School District as a whole. Some funds are required to be established by State law and by bond covenants. Many of the other funds are created to help control and manage money for a particular purpose or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the School District focus on showing how money flows into and out of funds and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the School District. This helps determine whether more or fewer financial resources are available for future programs. An accounting method called modified accrual accounting is used in fund accounting. This method measures cash and all other financial assets that can readily be converted to cash.

The relationship between governmental activities (District-Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the annual report.

**Agency Accounts**

The School District acts as an agent for various student activity funds. These net assets are reported in separate statements. We exclude these net assets from the School District's other financial statement because we cannot use these assets to finance our operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.



FRANKENMUTH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**Summary of District-Wide Financial Statement**

Table 1 provides a summary of our net assets as of June 30, 2005. They represent the School District as a whole.

Assets	
Current and other assets	\$ 7,906,719
Capital assets - Net of accumulated depreciation	<u>17,902,822</u>
Total Assets	<u>25,809,541</u>
Liabilities	
Current liabilities	1,603,390
Long-term liabilities	<u>13,072,787</u>
Total Liabilities	<u>14,676,177</u>
Net assets	
Invested in capital assets - Net of related debt	4,327,822
Restricted for debt service	454,953
Restricted for capital projects	447,000
Unrestricted	<u>5,903,589</u>
Total Net Assets	<u>\$ 11,133,364</u>

The above table presents the net assets as of June 30, 2005. The change in net assets for the 2004-2005 year is presented and discussed below in Table 2.

Current assets include cash and receivables that will be realized in cash or consumed within the upcoming school year. Capital assets-net of accumulated depreciation are computed by taking the original cost of the assets and subtracting the depreciation. Current liabilities include accounts and salaries payable whose liquidation is reasonably expected to require use of current assets. Long-term liabilities include general obligation bonds used to finance acquisition of capital assets and accrued compensated absences. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported to show legal constraints that limit use of some of the assets. Debt covenants and legislation limit the School District's ability to use those net assets for day-to-day operations.

FRANKENMUTH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**Summary of District-Wide Financial Statement (cont.)**

The unrestricted net assets represent the accumulated results of all past years' activities. This amount will be affected by the year-to-year combined operations. The summary of this year's activities for the School District as a whole are reported below.

Revenue	
Program revenue	
Charges for services	\$ 680,572
Grants and categoricals	556,405
General revenue	
Property taxes	3,627,082
State foundation allowance	7,085,400
Other	131,055
Transfers and special items	<u>50,696</u>
Total Revenue	<u>12,131,210</u>
Function/Program expenses	
Instruction	5,868,427
Support services	3,641,159
Community services	230,929
Food services	428,660
Athletics	377,094
Interest & misc. expense on long-term debt	1,244,874
Depreciation (unallocated)	<u>543,373</u>
Total Expenses	<u>12,334,516</u>
Increase (decrease) in Net Assets	<u>\$ (203,306)</u>

Funding for the above activities comes from a variety of sources. Some activities are partially funded by those who benefit from the programs or by grants and categoricals from governments and organizations. The remaining activities are paid for from taxes, State Foundation Allowance, and other revenues, such as interest.

The change in net assets differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the financial statements.

FRANKENMUTH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**Financial Position Analysis**

The analysis of our final position and results of governmental activities indicate our year-end condition, although expenditures exceeded revenue, was more positive than anticipated earlier in the fiscal year. Most all of these improvements relate to general fund activities.

**General Operations Fund**

1. Investment income improved by \$22,000, because of increased interest rate yields.
2. Community education fees and athletic gate receipts were \$36,000 over anticipated revenues.
3. A highly compensated guidance counselor resigned in the spring and was not replaced resulting in a savings of \$20,000.
4. Board of education and general administration expenses were \$50,000 less than anticipated.
5. Operations and maintenance expenses (salaries and benefits) were \$50,000 less than anticipated.
6. Property tax appeals were \$12,000 less than expected.

**Food Service**

The Food Service program ended the year with their budget in the "red" as was expected. This was not a concern because of a large fund balance and planned equipment expenditures.

**Debt Service**

The District refunded part of the 2001 Capital Projects bonds which will result in a savings to the District of approximately \$520,817 over the next sixteen years.

**Capital Projects Fund**

The Capital Projects expenditures exceeded revenues as was anticipated. Again, this was not a concern because of substantial fund balance to cover the capital improvements.

**Final Budget vs. Original Budget**

When establishing the 2004-05 budget in June 2004, we could only estimate what our actual revenues would be because of anticipated decline in student enrollment and the unknown economic condition of our state government. We were given estimates that suggested our per student foundation grant would be \$7,382 per student.

FRANKENMUTH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**Final Budget vs. Original Budget (cont.)**

The budget adopted in June was nearly a mirror image of our 2003-04 budget. In our opinion, it was extremely difficult to establish an accurate budget on the uncertainty of revenue projections at the state level. We felt comfortable with this adopted budget because we knew we would not alter programs during the 2004-05 school year. Our fund reserves would enable us to do so without compromising our financial condition.

Although some of our revenue and expenditure functions have variances, our intent was merely to establish a budget in order to meet the legal requirement of having a budget in place prior to July 1.

Revenue and Expenditure functions with significant fluctuations are as follows:

1. The amended budget for state revenue was less because of a decline in enrollment and an increase in the non-homestead taxable value base.
2. General administration was less than the original budget due to the transfer of the business operation expenses from the general administration function to the business operation function.
3. Business operations were increased due to the transfer of expenses from general administration.
4. The increase in custody and care of children was due to these expenditures formerly budgeted as a part of the community services expenditures.

**Actual vs. Final Budget**

Our elected officials and administration consider many factors when setting the District's final 2004-05 fiscal year budget. One of the most important factors affecting the budget is our student count. State revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Once the final student count is known in late September, the District amends the budget to reflect a more accurate projection of the original budget appropriated.

However, management has only identified one significant variance as follows:

1. The variance in facilities acquisitions (building improvements) is due to planned expenditures inadvertently budgeted for in a different function. These funds were used for data cabling and additional "backdrops" in the Performing Arts Center.

FRANKENMUTH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

**Capital Assets**

As of June 30, 2005, the School District had \$17,902,822 in capital assets including land, buildings, buses, vehicles, furniture and equipment, less depreciation.

	2005	2004
Land	\$ 391,000	\$ 391,000
Buildings and improvements	20,517,066	20,385,790
Buses and other vehicles	1,147,599	1,127,224
Furniture and equipment	1,263,114	1,106,581
Total Capital Assets	23,318,779	23,010,595
Less accumulated depreciation	5,415,957	5,053,171
Net Capital Assets	<u>\$ 17,902,822</u>	<u>\$ 17,957,424</u>

**Debt**

	2005	2004
Governmental Activities		
Bonds	\$ 3,995,000	\$ 13,620,000
Refunding bonds	9,580,000	-
Accrued compensated absences	77,787	89,460
Totals	<u>\$ 13,652,787</u>	<u>\$ 13,709,460</u>

As of June 30, 2005, the School District had \$13,575,000 in General Obligation Bonds outstanding versus \$13,620,000 in the previous year – a change of less than a percent. In the 2004-2005 school year, Frankenmuth School District refunded part of the 2001 bonds.

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issued "qualified debt," such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt. Other obligations included employee-compensated absences. The notes to the financial statements contain detailed information on long-term liabilities.

FRANKENMUTH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**Economic Conditions Affecting Next Year's Budget**

**Food Service**

It is anticipated the 2005-2006 budget will dip into reserves to meet expenditures. With mandated changes anticipated at the Federal level, it will become more and more difficult to balance this budget. At some point, the Board and Administration may have to consider a meal price increase. The District has not increased lunch prices in over eight years.

**Capital Projects Fund**

The 2005-2006 budget will dip into reserves to meet capital improvement expenditures. This is not a concern as reserves are sufficient to support these expenditures and still maintain a comfortable balance. For 2006-2007, improvements will need to be evaluated to make sure the District maintains a minimum emergency reserve.

**Capital Debt**

This year the District refinanced the part of the 2001 bonds. This provided a long-term savings of over \$500,000 to the taxpayers. This millage levy will continue to decrease as property values and new construction increases.

**Contacting the School District's Financial Management**

If you have questions regarding this report, please contact the Superintendent's office, 941 E. Genesee, Frankenmuth, Michigan 48734.

FRANKENMUTH SCHOOL DISTRICT  
DISTRICT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2005

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	Governmental Activities
<b>Assets</b>	
Cash	\$ 848,510
Investments	5,666,113
Due from other governmental units	1,328,049
Other receivables	47,612
Inventories	11,232
Prepays	5,203
Capital assets less accumulated depreciation	17,902,822
Total Assets	<u>25,809,541</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	2,934
Salaries payable	1,020,456
Bonds payable, due within one year	580,000
Long-term liabilities	
Bonds payable, due in more than one year	12,995,000
Compensated absences, due in more than one year	77,787
Total Liabilities	<u>14,676,177</u>
<b>Net Assets</b>	
Invested in capital assets net of related debt	4,327,822
Restricted for debt service	454,953
Restricted for capital projects	447,000
Unrestricted	5,903,589
Total Net Assets	<u>\$ 11,133,364</u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT  
DISTRICT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 5,868,427	\$ 28,470	\$ 413,470	\$ (5,426,487)
Support services	3,641,159	4,929	49,299	(3,586,931)
Community services	230,929	259,096	-	28,167
Food services	428,660	327,021	93,636	(8,003)
Athletics	377,094	61,056	-	(316,038)
Interest & misc. expense on long-term debt	1,244,874	-	-	(1,244,874)
Depreciation (unallocated)	543,373	-	-	(543,373)
Totals	<u>\$ 12,334,516</u>	<u>\$ 680,572</u>	<u>\$ 556,405</u>	<u>(11,097,539)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				2,141,714
Property taxes levied for capital projects				192,614
Property taxes levied for debt service				1,292,754
State aid - unrestricted				7,085,400
Interest				116,705
Other				14,350
Total General Revenues				<u>10,843,537</u>
Excess (deficiency) of revenues over expenses before special items				(254,002)
Transfers				40,696
Special items-gain on sale of capital assets				<u>10,000</u>
Total general revenues, transfers, special, and extraordinary items				<u>10,894,233</u>
Change in Net Assets				(203,306)
Net Assets - Beginning of Year				<u>11,336,670</u>
Net Assets - End of Year				<u>\$ 11,133,364</u>

The accompanying notes are an integral part of these financial statements.



FRANKENMUTH SCHOOL DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2005

	General	Food Service	Athletic	Debt Service	Capital Projects	Totals
<u>Assets</u>						
Cash	\$ 280,464	\$ 72,204	\$ -	\$ 49,129	\$ 446,713	\$ 848,510
Investments	5,263,191	-	-	402,922	-	5,666,113
Due from other governmental units	1,324,259	3,137	-	568	85	1,328,049
Other receivables	44,964	112	-	2,334	202	47,612
Due from other funds	2,653	-	-	-	-	2,653
Prepaid expenditures	5,203	-	-	-	-	5,203
Inventory	5,237	5,995	-	-	-	11,232
Total Assets	<u>\$ 6,925,971</u>	<u>\$ 81,448</u>	<u>\$ -</u>	<u>\$ 454,953</u>	<u>\$ 447,000</u>	<u>\$ 7,909,372</u>
<u>Liabilities and Fund Balance</u>						
Liabilities						
Accounts payable	\$ -	\$ 2,934	\$ -	\$ -	\$ -	\$ 2,934
Salaries payable	1,020,456	-	-	-	-	1,020,456
Due to other funds	-	2,653	-	-	-	2,653
Total Liabilities	<u>1,020,456</u>	<u>5,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,026,043</u>
Fund Balance						
Reserved for debt retirement	-	-	-	454,953	-	454,953
Reserved for capital projects	-	-	-	-	447,000	447,000
Reserved for inventories	5,237	5,995	-	-	-	11,232
Undesignated & unreserved	5,900,278	69,866	-	-	-	5,970,144
Total Fund Balance	<u>5,905,515</u>	<u>75,861</u>	<u>-</u>	<u>454,953</u>	<u>447,000</u>	<u>6,883,329</u>
Total Liabilities and Fund Balance	<u>\$ 6,925,971</u>	<u>\$ 81,448</u>	<u>\$ -</u>	<u>\$ 454,953</u>	<u>\$ 447,000</u>	<u>\$ 7,909,372</u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO DISTRICT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2005

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Total Fund Balances - Governmental Funds \$ 6,883,329

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is	23,318,779
Accumulated depreciation is	(5,415,957)

Long-term liabilities are not due and payable in the current period  
and are not reported in the funds:

Bonds payable	(13,575,000)
Compensated absences	<u>(77,787)</u>

Total Net Assets - Governmental Activities (District Wide)	<u><u>\$ 11,133,364</u></u>
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The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	General	Food Service	Athletic	Debt Service	Capital Projects	Totals
<b>Revenue</b>						
Local	\$ 2,551,475	\$ 327,969	\$ 61,056	\$ 1,303,266	\$ 194,945	\$ 4,438,711
State	7,262,629	17,848	-	-	-	7,280,477
Federal	285,539	75,787	-	-	-	361,326
Total Revenue	<u>10,099,643</u>	<u>421,604</u>	<u>61,056</u>	<u>1,303,266</u>	<u>194,945</u>	<u>12,080,514</u>
<b>Expenditures</b>						
Instruction						
Basic programs	5,299,224	-	-	-	-	5,299,224
Added needs	580,876	-	-	-	-	580,876
Support services						
Pupil	612,488	-	-	-	-	612,488
Instructional staff	358,868	-	-	-	-	358,868
General administration	258,258	-	-	-	-	258,258
School administration	705,884	-	-	-	-	705,884
Business	116,786	-	-	-	-	116,786
Operation and maintenance	1,018,937	-	-	-	-	1,018,937
Pupil transportation services	550,399	-	-	-	-	550,399
Central services	155,058	-	-	-	-	155,058
SEV judgements	8,197	-	-	-	-	8,197
Facilities acquisition	44,157	-	-	-	-	44,157
Community services	151,052	-	-	-	-	151,052
Study and care of children	79,877	-	-	-	-	79,877
Capital outlay	-	-	-	-	300,898	300,898
Debt Service	-	-	-	10,869,874	-	10,869,874
Food services	-	428,660	-	-	-	428,660
Athletic	-	-	377,094	-	-	377,094
Total Expenditures	<u>9,940,061</u>	<u>428,660</u>	<u>377,094</u>	<u>10,869,874</u>	<u>300,898</u>	<u>21,916,587</u>
Excess (Deficiency) of Revenues over Expenditures	159,582	(7,056)	(316,038)	(9,566,608)	(105,953)	(9,836,073)
<b>Other Financing Sources (Uses)</b>						
Sources	40,882	-	316,038	9,580,000	-	9,936,920
Uses	(316,038)	-	-	-	(186)	(316,224)
Proceeds on sale of fixed assets	10,000	-	-	-	-	10,000
Total Other Financing Sources (Uses)	<u>(265,156)</u>	<u>-</u>	<u>316,038</u>	<u>9,580,000</u>	<u>(186)</u>	<u>9,630,696</u>
Net Change in Fund Balances	(105,574)	(7,056)	-	13,392	(106,139)	(205,377)
Fund Balances - Beginning of Year	6,011,089	82,917	-	441,561	553,139	7,088,706
Fund Balances - End of Year	<u>\$ 5,905,515</u>	<u>\$ 75,861</u>	<u>\$ -</u>	<u>\$ 454,953</u>	<u>\$ 447,000</u>	<u>\$ 6,883,329</u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2005

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Net Change in Fund Balances - Governmental Funds	\$ (205,377)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives.

Depreciation expense	(543,373)
Capital outlay	488,771

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

Issuance of bonds	(9,580,000)
Repayment of bond principal	9,625,000

In the statement of activities, certain expenses (retirement incentives, compensated absences) are measured by the amounts earned during the year. The governmental funds measure the financial resources used (paid). This year, the amount of these items paid exceeded the amounts earned.

Compensated absences	<u>11,673</u>
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Change in Net Assets of Governmental Activities (District Wide)	<u><u>\$ (203,306)</u></u>
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The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2005

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Agency Funds

Assets

Cash, student organizations \$ 152,382

Total Assets \$ 152,382

Liabilities

Due to student organizations \$ 152,382

Total Liabilities \$ 152,382

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies

The Frankenmuth School District (the "School District") operates under an elected Board of Education and provides educational services to approximately 1,273 students.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

B. District-Wide Statements

The District-Wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the primary government. The usual purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

B. District-Wide Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

The District-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The District-Wide approach is focused more on the sustainability of the School District as an entity and the change in the School District's net assets from the current year's activities.

C. Fund Financial Statements

The accounts of the School District are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements (continued)

The following fund types are used by the School District:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the School District.

General Fund is the general operating fund of the School District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Food Service and Athletic funds are special revenue funds.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School District programs.

The emphasis in fund financial statements is on the major funds. The School District has opted to display information for all funds without regard to the criteria for determination of major funds. The School District's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used for activities or obligations of the government, these funds are not incorporated in the District-Wide statements.



FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting requires recording of revenue when earned and expenses when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are still recognized when incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts

Cash

Cash includes cash on hand, demand deposits, and time deposits.

Investments

Investments include certificates of deposit. All investments are stated at fair value.

Receivables

Due from other governmental units are payments earned by not received at year-end from other governments. Receivables consist of all revenues earned at year-end but not yet received from other customers. Outstanding balances between funds are reported as "due to/from other funds".

Inventories

Inventories consist of expendable supplies held for the School District's use and are carried at cost using the first-in, first-out method.

Prepaid

Prepaid amounts consist of payments for which the School District will have a future benefit and will be used up at a date beyond the current year-end.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed, as incurred. The School District does not possess infrastructure type assets. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

Accounts Payable

Accounts payable consist of items from which the School District benefited during the current fiscal year but has not yet paid.

Salaries Payable

Salaries payable consist of amounts due on employee's contracts that are due and payable for the current fiscal year and the School District's portion of FICA and Medicare taxes and retirement contributions.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Long-Term Liabilities

Bonds payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements or the refinancing of previously issued obligations. Compensated absences represent accumulated unpaid vacation and sick leave. The accumulated benefit is payable to the employee upon termination of employment. No portion of the compensated absence is believed to be current at year-end.

Inter-fund Activity

Inter-fund activity is reported as transfers. Transfers are eliminated upon consolidation.

Unemployment Compensation

As an employer, the School District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the School District must reimburse the Employment commission for all benefits charged against the School District. There were unemployment expenditures of \$834 for the year ended June 30, 2005.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 2--Stewardship, Compliance, and Accountability

The School District is required to adopt an annual budget before the beginning of the fiscal year for the General Fund, Food Service Fund, and the Athletic Fund. The accounting basis of the budgets is the modified accrual method. Following are the procedures used in establishing the budgetary data reflected in the financial statements:

1. The School District's Superintendent submits to the Board of Education a proposed budget by June 30 of each year. The budget includes proposed expenditures and the means to finance them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The Superintendent is authorized to transfer budgeted amounts within functional expense lines as approved by the Board; however, any revisions that alter functional expenditure lines of any fund must be approved by the Board of Education.
4. Budgeted amounts shown in the supplemental information reflect amendments through June 30.

The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by June 30. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The School District did not have significant expenditure budget variances.

NOTE 3--Deposits and Investments

The School District is authorized, by the State of Michigan, to deposit its fund in banks, savings and loan associations, or credit unions having a principal office in Michigan.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments (continued)

The School District is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks,
- f. Mutual funds – investments which local unit can make directly.

All cash is held by federally insured financial institutions. The FDIC insures up to \$100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as a separate deposit for the \$100,000 limitation.

A summary of bank cash balances is as follows:

	Total	Insured	Collateralized	Uninsured Uncollateralized
Cash				
General fund	\$ 452,325	\$ 100,000	\$ -	\$ 352,325
Special revenue	72,204	-	-	72,204
Agency	115,240	7	-	115,233
Debt service	49,129	-	-	49,129
Capital projects	446,713	-	-	446,713
Total	<u>\$ 1,135,611</u>	<u>\$ 100,007</u>	<u>\$ -</u>	<u>\$ 1,035,604</u>
Investments				
General fund	\$ 5,263,191	\$ 100,000	\$ -	\$ 5,163,191
Agency	32,264	32,264	-	-
Debt service	2,922	-	-	2,922
Total	<u>\$ 5,298,377</u>	<u>\$ 132,264</u>	<u>\$ -</u>	<u>\$ 5,166,113</u>

The policy of the Board is to invest surplus funds of the District.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Capital Assets and Accumulated Depreciation

Capital asset activity of the School District was as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Capital assets not subject to depreciation				
Land	\$ 391,000	\$ -	\$ -	\$ 391,000
Subtotals	391,000	-	-	391,000
Capital assets subject to depreciation				
Buildings and improvements	20,385,790	131,276	-	20,517,066
Buses and other vehicles	1,127,224	157,960	137,585	1,147,599
Furniture and equipment	1,106,581	199,535	43,002	1,263,114
Subtotals	22,619,595	488,771	180,587	22,927,779
Total Capital Assets	23,010,595	488,771	180,587	23,318,779
Accumulated depreciation				
Buildings and improvements	3,831,271	337,193	-	4,168,464
Buses and other vehicles	653,508	97,379	137,585	613,302
Furniture and equipment	568,392	108,801	43,002	634,191
Total Accumulated Depreciation	5,053,171	543,373	180,587	5,415,957
Total Net Capital Assets	\$ 17,957,424	\$ (54,602)	\$ -	\$ 17,902,822

Depreciation expense was not charged to activity as the School District considers its capital assets to impact multiple activities and allocation is not practical.

NOTE 5--Inter-fund -- Receivables, Payables, and Transfers

The makeup of inter-fund balances and transfers is as follows:

Outgoing Transfer	Incoming Transfer
General Fund \$ 316,038	Athletics \$ 316,038
Total \$ 316,038	Total \$ 316,038

For the year ended June 30, 2005, transfers from the general fund to the athletic fund were to subsidize the athletic program.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 6--Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term debts include compensated absences.

Long-term debt activity is summarized as follows:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005	Current Portion
Governmental Activities					
Bonds	\$ 13,620,000	\$ -	\$ 9,625,000	\$ 3,995,000	\$ 580,000
Accrued compensated absences	89,460	-	11,673	77,787	-
Refunding bonds	-	9,580,000	-	9,580,000	50,000
Totals	<u>\$ 13,709,460</u>	<u>\$ 9,580,000</u>	<u>\$ 9,636,673</u>	<u>\$ 13,652,787</u>	<u>\$ 580,000</u>

Annual debt service requirements to maturity for the above governmental bonds are as follows:

	Principal	Interest	Total
2005-06	\$ 630,000	\$ 727,460	\$ 1,357,460
2006-07	665,000	599,182	1,264,182
2007-08	700,000	564,254	1,264,254
2008-09	740,000	527,268	1,267,268
2009-10	780,000	488,218	1,268,218
2010-11 thru 2014-15	4,465,000	1,858,012	6,323,012
2015-16 thru 2019-20	5,595,000	727,722	6,322,722
Subtotals	13,575,000	5,492,116	19,067,116
Compensated Absences	77,787	-	77,787
Totals	<u>\$ 13,652,787</u>	<u>\$ 5,492,116</u>	<u>\$ 19,144,903</u>

For the year ended June 30, 2005, the total interest paid on bonded debt was \$766,780.



FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 7—Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. During the year, the School District carried commercial insurance for the above risks of loss.

NOTE 8--Pension Plan

The School District's defined benefit pension plan provides retirement, survivor and disability benefits to its employees. The School District participates in the Michigan Public School Employees Retirement System (MPERS), a cost sharing multiple-employer, statewide plan governed by the State of Michigan. Benefit provisions are established by state statute. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the MPERS Directors, PO Box 30673, Lansing, Michigan 48909 or by calling (517) 322-6235.

Funding Policy

The School District is required to contribute at an actuarially determined rate; the current rate is 12.99% of covered payroll. Employees hired before January 1, 1990, contribute 3.9% of their gross pay. Employees hired January 1, 1990, or later contribute between 3% and 4.3%. The contribution requirements are established and may be amended by the State of Michigan.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 8--Pension Plan (continued)

Funding Policy (continued)

The School District's contributions to MPSERS for the current year and the preceding two years were \$902,135, \$731,276, and \$777,678, respectively, which was 100% of the annual required contribution.

NOTE 9--Self-Funded Insurance

The School District offers a self-insured dental plan to all full-time employees. Participants and their eligible dependents are entitled to benefits as outlined in the program booklet entitled, "Frankenmuth School District Dental Insurance Plan".

NOTE 10--Leases

The School District leased copiers under an operating lease from an unrelated party. In addition to lease payments, the School District is responsible for taxes and insurance on the copiers. Lease expense was \$28,778 and \$28,778, for the fiscal years ended June 30, 2005, and 2004, respectively. Subsequent estimated payments for the next fiscal year are \$28,776.

NOTE 11--Sinking Funds

The Frankenmuth School District's Capital Projects Fund-Sinking Fund records capital projects activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of section 1212(1) of the Revised School Code.

FRANKENMUTH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 12--Fund Balance Reservations

Frankenmuth School District has reserved the following amounts in fund balance:

	General	Special Revenue	Debt Service	Capital Projects	Total
Reserved for debt retirement	\$ -	\$ -	\$ 454,953	\$ -	\$ 454,953
Reserved for inventories	5,237	5,995	-	-	11,232
Reserved for capital projects	-	-	-	447,000	447,000
Total Reservations	<u>\$ 5,237</u>	<u>\$ 5,995</u>	<u>\$ 454,953</u>	<u>\$ 447,000</u>	<u>\$ 913,185</u>

NOTE 13--Advance Refund of Bond Resulting in Defeasance of Debt

In January of 2005, the District issued \$9,580,000 in general obligation refunding bonds with interest rates ranging between 2.50% and 5.00%. The District issued the bonds to advance refund \$9,080,000 of the outstanding series 2001 general obligation bonds with interest rates ranging from 5.5% to 5.75%. The District used the net proceeds along with other sources to purchase State and Local Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded 2001 series bonds. As a result, the 2001 series bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$9,080,000 as of June 30, 2005.

The advance refunding reduced the total debt service payments over the next 16 years by \$717,489. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$520,817.

SUPPLEMENTAL INFORMATION

Frankenmuth School District  
Budgetary Comparison  
For the Year Ended June 30, 2005

	General Fund		Special Revenue Funds (Food Service and Athletic)			
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue</b>						
Local	\$ 2,479,139	\$ 2,553,439	\$ 2,551,475	\$ 363,897	\$ 373,400	\$ 389,025
State	7,362,846	7,209,361	7,262,629	15,670	16,000	17,848
Federal	312,406	273,998	285,539	72,625	78,000	75,787
Incoming transfers and other	55,114	54,017	50,882	353,000	347,709	316,038
<b>Total Revenues</b>	<b>10,209,505</b>	<b>10,090,815</b>	<b>10,150,525</b>	<b>805,192</b>	<b>815,109</b>	<b>798,698</b>
<b>Expenditures</b>						
Instruction						
Basic programs	5,394,626	5,321,012	5,299,224	-	-	-
Added needs	541,945	580,807	580,876	-	-	-
Support Services						
Pupil	608,287	637,097	612,488	-	-	-
Instructional staff	400,000	362,911	358,868	-	-	-
General administration	441,950	308,667	258,258	-	-	-
School administration	723,000	720,394	705,884	-	-	-
Business	9,677	121,115	116,786	-	-	-
Operation and maintenance	1,080,000	1,066,786	1,018,937	-	-	-
Pupil transportation services	558,000	573,945	550,399	-	-	-
Central services	219,629	159,580	155,058	-	-	-
Community services	180,000	157,878	151,052	-	-	-
Custody and care of children	-	79,154	79,877	-	-	-
SEV judgements	-	51,502	8,197	-	-	-
Facilities acquisition	-	-	44,157	-	-	-
Food service	-	-	-	-	-	-
Athletic activities	-	-	-	408,985	425,992	428,660
Outgoing transfers and other	-	-	-	405,000	400,709	377,094
<b>Total Expenditures</b>	<b>373,000</b>	<b>347,709</b>	<b>316,038</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>10,530,114</b>	<b>10,488,557</b>	<b>10,256,099</b>	<b>813,985</b>	<b>826,701</b>	<b>805,754</b>
<b>Fund Balance - Beginning of Year</b>	<b>(320,609)</b>	<b>(397,742)</b>	<b>(105,574)</b>	<b>(8,793)</b>	<b>(11,592)</b>	<b>(7,056)</b>
<b>Fund Balance - End of Year</b>	<b>6,011,089</b>	<b>6,011,089</b>	<b>6,011,089</b>	<b>75,861</b>	<b>75,861</b>	<b>75,861</b>
	<b>\$ 5,690,480</b>	<b>\$ 5,613,347</b>	<b>\$ 5,905,515</b>	<b>\$ 67,068</b>	<b>\$ 64,269</b>	<b>\$ 68,805</b>

See independent auditor's report.

Frankenmuth School District  
Schedules of Outstanding Bonded Indebtedness  
June 30, 2005

2001 ISSUE \$14,890,000

\$9,080,000 of original issues refunded

Interest Rate: 5.5%

Year Ending June 30,	Annual Principal May 1	Semiannual Interest Payment		Total Fiscal Year Requirement
		November 1	May 1	
2005-06	580,000	109,863	109,863	799,726
2006-07	610,000	93,913	93,913	797,826
2007-08	645,000	77,137	77,137	799,274
2008-09	680,000	59,400	59,400	798,800
2009-10	720,000	40,700	40,700	801,400
2010-11	760,000	20,900	20,900	801,800
Totals	<u>\$ 3,995,000</u>	<u>\$ 401,913</u>	<u>\$ 401,913</u>	<u>\$ 4,798,826</u>

2005 Refunding Bonds

\$9,580,000

Interest Rate: 2.5-4.1%

Year Ending June 30,	Annual Principal May 1	Semiannual Interest Payment		Total Fiscal Year Requirement
		November 1	May 1	
2005-06	50,000	301,431	206,303	557,734
2006-07	55,000	205,678	205,678	466,356
2007-08	55,000	204,990	204,990	464,980
2008-09	60,000	204,234	204,234	468,468
2009-10	60,000	203,409	203,409	466,818
2010-11	60,000	202,509	202,509	465,018
2011-12	860,000	201,534	201,534	1,263,068
2012-13	890,000	186,484	186,484	1,262,968
2013-14	925,000	170,352	170,352	1,265,704
2014-15	970,000	147,227	147,227	1,264,454
2015-16	1,020,000	122,977	122,977	1,265,954
2016-17	1,075,000	97,477	97,477	1,269,954
2017-18	1,125,000	70,602	70,602	1,266,204
2018-19	1,170,000	48,103	48,103	1,266,206
2019-20	1,205,000	24,702	24,702	1,254,404
	<u>\$ 9,580,000</u>	<u>\$ 2,391,709</u>	<u>\$ 2,296,581</u>	<u>\$ 14,268,290</u>

See independent auditor's report.

Frankenmuth School District  
Agency Funds  
Schedule of Activity and Amount Due to Student Groups  
For the Year Ended June 30, 2005

	Cash Balance July 1, 2004	Cash Receipts	Cash Disbursements	Cash Balance June 30, 2005
<u>List Elementary School</u>				
Box Tops	\$ 1,108	\$ 1,088	\$ 1,275	\$ 921
Carnival	3,501	3,486	4,750	2,237
Charity	182	645	703	124
Counseling	118	-	32	86
Flower Fund	187	515	419	283
Friends of the Children	1,152	23,457	23,463	1,146
Library	30	13,821	13,681	170
List School	842	6,181	3,245	3,778
Music	66	-	62	4
Optimist Club	183	-	100	83
Pop	840	2,740	2,835	745
Popcorn	263	1,743	1,402	604
Revolving	190	14,177	14,215	152
Santa's Workshop	4,025	6,515	10,438	102
School Store	375	283	453	205
Target	112	298	352	58
Young Authors	-	187	-	187
Totals	13,174	75,136	77,425	10,885
<u>E F Rittmueller Middle School</u>				
Academic Track	176	3,191	2,961	406
Art Sale	(9)	-	-	(9)
Athletic Contingent Fund	(633)	3,905	3,905	(633)
Cheerleaders	(1,321)	3,598	2,179	98
Counter Supplies	31	1,399	1,374	56
Crafts & Drafting Resale	332	199	50	481
Eagle Team 5	132	68	160	40
Eagle Team 6	200	-	173	27
Eagle Team 7	41	159	34	166
Eagle Team 8	200	-	-	200
EFR Thoughtfulness Fund	462	50	455	57
Eighth Grade Treasury	1,661	10,602	10,697	1,566
Hartley Outdoor Education	179	6,872	7,046	5
Lego Robotics	399	420	499	320
Library	439	11,294	9,343	2,390
Material Deposit	3,242	518	250	3,510
MS Fund	2,992	6,310	6,926	2,376
Music	833	4,635	4,650	818
PE Concessions	1,162	2,553	1,024	2,691
PE Uniforms	-	2,892	3,998	(1,106)
Revolving	778	5,585	6,510	(147)
Student Council	2,893	3,397	3,928	2,362
Yearbook	784	4,705	4,181	1,308
Totals	14,973	72,352	70,343	16,982

See independent auditor's report.

Frankenmuth School District  
Agency Funds  
Schedule of Activity and Amount Due to Student Groups  
For the Year Ended June 30, 2005

	Cash Balance July 1, 2004	Cash Receipts	Cash Disbursements	Cash Balance June 30, 2005
<u>High School</u>				
Athletic tournament	3,498	50,089	62,902	(9,315)
Band	9,980	26,324	15,469	20,835
Band trip	3,227	84,576	87,803	-
Boys basketball	1,052	2,395	2,526	921
Cheerleaders	2,799	11,844	11,358	3,285
Class of 2004	754	-	754	-
Class of 2005	-	12,753	10,555	2,198
Debate/Forensics	-	1,795	4,170	(2,375)
Football	3,018	45,782	37,362	11,438
Football 50 Years	-	1,240	488	752
FHS Student	983	30,206	24,679	6,510
Girls Basketball	357	904	666	595
Lost and damaged books	1	788	789	-
Material Deposit	5,684	2,702	4,870	3,516
National honors	-	1,472	2,035	(563)
Parent/Senior	168	6,003	6,490	(319)
Venner	6,712	30,304	29,202	7,814
Venner-Limelight	58	-	-	58
Venner-Sirkel	989	875	354	1,510
Ski Club	6,374	37,795	37,027	7,142
Spanish Trip	-	6,179	6,179	-
Speech	(41)	1,573	285	1,247
Student Council	8,867	23,965	25,042	7,790
Tennis	11	3,294	3,015	290
Theatre	2,362	2,160	3,021	1,501
Volleyball	1,018	4,266	5,131	153
Yearbook	17,013	23,855	27,003	13,865
Yellow Ribbon	144	-	-	144
Totals	<u>75,028</u>	<u>413,139</u>	<u>409,175</u>	<u>78,992</u>
<u>Scholarship Funds</u>				
Adventurous Anglers	500	-	-	500
Ann Martuch	500	500	500	500
Autofest	1,000	-	1,000	-
Barbara Ezop	1,625	608	1,280	953
Bierlein	5,405	650	-	6,055
Debate Scholarship	2,434	-	-	2,434
McGee	1,000	1,000	1,000	1,000
Doni Rodammer	970	-	970	-
L. Schneider Spanish	598	-	-	598
Lynne Ruff Ardnt	11,660	979	1,400	11,239
Peizer	61	-	-	61
R. Vansteenhouse	13,867	3,193	2,500	14,560
Wilson	-	7,623	-	7,623
Totals	<u>39,620</u>	<u>14,553</u>	<u>8,650</u>	<u>45,523</u>
Total Agency Funds	<u>\$ 142,795</u>	<u>\$ 575,180</u>	<u>\$ 565,593</u>	<u>\$ 152,382</u>

See independent auditor's report.





**Gardner | Provenzano  
Schauman & Thomas**

**CERTIFIED PUBLIC ACCOUNTANTS**

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

September 6, 2005

To the Board of Education  
Frankenmuth School District  
Frankenmuth, Michigan

We have audited the financial statements of Frankenmuth School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Frankenmuth School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Frankenmuth School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

To the Board of Education  
Frankenmuth School District  
Page Two

We noted an absence of appropriate segregation of duties consistent with appropriate control objectives.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Frankenmuth School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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*Gardner, Provenzano, Schauman & Thomas, P.C.*

Certified Public Accountants